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Message Text

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13
ORIGIN ARA-20

INFO OCT-01 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00 EB-11

FMC-04 INR-11 NSAE-00 RSC-01 CG-00 COA-02 DLOS-07

SWF-02 TRSE-00 AID-20 /079 R

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ARA/ECP:MR. FAULKNER
---------- 029062
R 171949Z JUL 74
FM SECSTATE WASHDC
TO AMEMBASSY LIMA

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E.O. 11652:NA
TAGS: PFOR, PN, PE
SUBJECT: PANAMA CANAL TOLL INCREASE
REF: LIMA 5678

1.SUMMARY OF AN APRIL 74 ARA/ECP REVIEW OF THE ECONOMIC IM-
PACT ON PERU OF NEW PANAMA CANAL RATES AS REQUESTED REF-
TEL FOLLOWS. BEGIN QUOTE: ABOUT SIXTY PERCENT OF PERU'S
IMPORT BY WEIGHT PASSES THROUGH THE CANAL, BUT THE PROPOSED
TOLL INCREASE WOULD RAISE THE COST OF PERU'S 1973 IMPORTS
BY ONLY DOLS 310,000, WHICH IS ABOUT .03 PERCENT OF
TOTAL 1973 IMPORTS. PERU WOULD ALSO PROBABLY HAVE TO AB-
SORB THE FULL INCREASED TOLL COST ON ITS SUGAR SHIPPED
THROUGH THE CANAL AND ROUGHLY FIFTY PERCENT OF THE INCREASE
ON IRON ORE SHIPMENTS. THIS WOULD ADD APPROXIMATELY DOLS
160,000 TO PERU'S COSTS. THE INCREASED TOLL WOULD PROBABLY
FURTHER REDIRECT PERU'S IRON ORE TRADE TO PACIFIC DESTINA-
TIONS. SINCE SUCH A REDIRECTION OF THE TRADE HAS ALREADY
BEEN UNDER WAY FOR SEVERAL YEARS BECAUSE OF THE MARGINAL
COMPETITIVENESS OF PERUVIAN IRON ORE IN ATLANTIC MARKETS,
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THERE WOULD PROBABLY BE SOME ADDITIONAL NET LOSS TO PERU.

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INCREASEDTOLLS OF ABOUT 20 TO 25 CENTS PER TON ON PERU-
VIAN FISHMEAL IS A SMALL PORTION OF THE NORMAL DOLS 150 -
200 PER TON PRICE OF THIS PRODUCT AND IT DOES NOT SEEM
LIKELY TO AFFECT ITS COMPETITIVENESS. THE ADDITIONAL COST
COULD THEREFORE BE PASSED ON TO THE IMPORTER. THE PERU-
VIANS HAVE EXPRESSED CONCERN ABOUT THE POTENTIAL IMPACT ON

THE COMPETITIVENESS OF THEIR NON-TRADITIONAL EXPORTS,
MOSTLY MANUFACTURED GOODS, ALTHOUGH THEY HAVE NOT SUBMIT-
TED ANY DATA TO BOLSTER THIS ARGUMENT. SINCE SUCH EX-
PORTS USUALLY HAVE A HIGHER VALUE PER TON THAN BULK
ITEMS SUCH AS SUGAR, FISHMEAL, ETC., THE 20 TO 25 CENTS
PER TON TOLL INCREASE SEEMS LIKELY TO REPRESENT SUCH A
SMALL PERCENTAGE OF THE VALUE OF SUCH EXPORTS AS TO BE
NEGLIGIBLE ON A COST-PER-ITEM BASIS. //IN SUMMARY, THE
TOTAL COST OF THE TOLL INCREASE TO PERU'S ECONOMY IS UN-
LIKELY TO EXCEED DOLS 500,000, BASED ON 1973 CARGO SHIP-
MENTS COMPARED TO PERU'S TOTAL TRADE OF ABOUT DOLS 1.7
BILLION IN 1972. END QUOTE.

2. FULL TEXT OF STUDY BEING POUCHED. KISSINGER

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